

Message Text

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73

ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 FEA-02 INT-08 AGR-20 SEC-03 SCI-06 PA-04 PRS-01

USIA-15 DRC-01 /194 W

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R 261455Z MAR 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 2432

INFO AMCONSUL RECIFE

AMCONSUG RIO DE JANEIRO

AMCONSUL SAO PAULO

UNCLAS BRASILIA 2012

E.O. 11652: N/A

TAGS: EFIN, BR

SUBJECT: POLICY STATEMENT BY FINANCE MINISTER

REF: BRASILIA 1966

1. FOLLOWING PRESIDENT GEISEL'S GENERAL POLICY STATEMENT
MARCH 19, (REFTEL) FINANCE MINISTER SIMONSEN ISSUED
A STATEMENT ON GENERAL ECONOMIC POLICY OF THE NEW GOVERNMENT.
SIMONSEN'S STATEMENT WHICH ESSENTIALLY REPEATED AND GAVE MORE
DETAIL ON SUBJECT MENTIONED BY GEISEL CONTAINED THE FOLLOWING
PRINCIPAL POINTS:

-- GROWTH OF NATIONAL PRODUCT THIS YEAR WILL BE COMPARABLE
TO GROWTH RATES OF THE PAST SIX YEARS BY A 10 PERCENT RATE CAN
NEITHER BE PROMISED NOR EXPECTED.

-- EXPORTS ARE EXPECTED TO REACH \$8 BILLION IN 1974, WHILE THE
DEFICIT ON CURRENT ACCOUNT WILL INCREASE TO \$3, BILLION. THE
COUNTRY'S RESERVE POSITION AND ATTRACTION FOR FOREIGN CAPITAL

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ASSURE BALANCE OF PAYMENTS STABILITY. IN 1972 AND 1973,

ANNUAL NET CAPITAL INFLOW AMOUNTED TO \$3.5 BILLION.

-- THE ANTI-INFLATION POLICY WILL BE MAINTAINED. BASIC APPROACH WILL BE: BALANCED PUBLIC BUDGETS, SUFFICIENT CREDIT TO AVOID ANY LIQUIDITY CRISIS, A RELATIVELY PASSIVE MONETARY POLICY, GOVERNMENT CONTROL OVER SALARIES AND PRICES, MONETARY CORRECTION AND MINIDEVALUATIONS TO NEUTRALIZE INFLATIONARY PRESSURES.

-- NO SINGLE COST OF LIVING INDEX ACCURATELY REFLECTS PRICE CHANGES THROUGHOUT THE COUNTRY. IT WOULD BE IMPRUDENT TO PREDICT A RATE OF INFLATION FOR 1974. INCREASE IN MONEY SUPPLY WILL BE CONSIDERABLY LESS THAN THE 47PERCENT INCREASE IN 1973.

-- PRIORITY WILL BE GIVEN TO THE DEVELOPMENT OF OIL-SAVING RAIL AND RIVER TRANSPORTATION. GASOLINE PRICES WILL HAVE TO BE FURTHER INCREASED. PRIORITY WILL BE GIVEN TO INCREASING OUTPUT IN MINING, AGRICULTURE AND CATTLE RAISING.

-- THE GOVERNMENT CONTINUES TO HAVE BETTER DISTRIBUTION OF INCOME AS ONE OF ITS MAIN GOALS.

-- THE FISCAL INCENTIVES FOR REGIONAL DEVELOPMENT WILL BE PRESERVED AND THEIR MECHANISMS IMPROVED MECHANISMS FOR THE DISTRIBUTION OF TAX REVENUE AMONG THE STATES WILL ALSO BE IMPROVED.

-- NATIONAL PRIVATE COMPANIES ARE WEAK COMPARED TO STATE-OWNED AND FOREIGN COMPANIES AND SHOULD BE STRENGTHENED.

-- INTEREST RATES WILL REMAIN HIGH AND EFFORTS WILL BE MADE TO LOWER THE COSTS OF FINANCIAL INTERMEDIARIES.

-- LAW ON STOCK COMPANIES WILL BE MODIFIED TO BENEFIT MINORITY SHARE HOLDERS. RESOURCES FROM WORKERS COMPULSORY SAVINGS AND PENSION FUNDS WILL BE USED IN THE STOCK MARKET.

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